

Acquisition of Core Deutsche Bank Polska & DB Securities S.A.

14 December 2017

Bank Zachodni WBK

 Grupa Santander

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Transaction highlights

Transaction perimeter

- Bank Zachodni WBK, S.A. (“BZ WBK S.A.”; BZ WBK S.A. together with its subsidiaries and affiliates “BZ WBK”) will acquire the retail and SME business (“Core DB Polska”) of Deutsche Bank Polska S.A. (“DB Polska”) from Deutsche Bank AG (“DB AG”) excluding, inter alia, FX mortgages, the Corporate & Investment Banking business of DB Polska and DB Polska’s retained cost base
 - Transaction perimeter also includes DB Securities S.A. (“DB Securities”), a Polish brokerage house
- Core DB Polska had PLN 18.2bn gross customer loans, PLN 10.4bn customer deposits and PLN 6.9bn AuM as of June 30, 2017
- Core DB Polska to be transferred to BZ WBK with equity equivalent of 13.875% CET1 ratio at closing
- BZ WBK to repay DB AG intragroup funding on the demerger effective date

Purchase price

- Preliminary purchase price amounts to PLN 1,290m* at signing and consists of:
 - PLN 1,270m for Core DB Polska, implying a P/TBV multiple of c. 0.6x on 2017E PLN 2,000m** tangible book value
 - PLN 20m*** for DB Securities, implying a 2017E P/TBV multiple of c. 0.6x

Transaction structure

- BZ WBK S.A. to acquire Core DB Polska and DB Securities in exchange for PLN 1,290m to be paid in a mix of stock (80% of total) and cash (20% of total)
- BZ WBK S.A. to issue 2.75m**** new shares to DB AG, implying a 2.7% stake in BZ WBK S.A.
- Core DB Polska to be demerged from DB Polska and transferred to BZ WBK S.A.

Approval and timetable

- Following receipt of regulatory approvals and operational readiness, the transaction is expected to be closed by Q4 2018
- IT migration expected to be completed immediately post closing

Source: BZ WBK, Deutsche Bank Polska

* Subject to adjustments at closing

** Tangible book value estimated assuming 13.875% CET1 ratio and December 2017E RWAs of PLN 14.4bn, before NAV adjustments at closing

*** Final purchase price subject to adjustment related to equity at closing

**** Based on the arithmetic average of VWAPs of BZ WBK’s shares on the WSE during the 30 days before and excluding signing date (i.e. before and excluding 14 December 2017)

Transaction rationale

Strategic rationale

- Enables BZ WBK to strengthen its position in the Polish banking sector
- Highly complementary business franchise and cultural fit
- Strengthening of BZ WBK's position in attractive affluent, private banking, and SME segments
- Reinforcement of BZ WBK's SME sales network (e.g. Silesia region)
- Attractive low risk client base of Core DB Polska
- Dilution of FX mortgage exposure weighting in BZ WBK's loan portfolio
- Attractive value creation with limited capital impact of c. 65bps on BZ WBK's September 2017 CET1 ratio*
- Negligible impact on Santander Group's September 2017 fully loaded CET1 ratio of less than 1bp

Synergies

- Significant cost synergy potential with fully phased pre-tax cost efficiencies of PLN 129m (3.8%** of the combined 2016 cost base) by 2021
- Potential further upside from cheaper funding and cross-selling opportunities
- Total integration costs amounting to PLN 255m pre-tax spread through 2018 – 2021 compared to PLN 335mm cost synergies during that period

EPS accretion and ROI

- EPS accretion from 2019 onwards (from 2018 onwards excluding integration costs). 5% EPS accretion expected from 2021 onwards***
- Estimated ROI of 15.5%*** by 2021, above BZ WBK's cost of capital

Source: BZ WBK, Santander Group, Deutsche Bank Polska

* Based on preliminary purchase price of PLN 1,290m and current level of estimated NAV adjustments at closing

** Based on 2016 figures excluding one offs, including regulatory costs apart from bank levy

*** Excluding integration costs

Brief overview of Core DB Polska

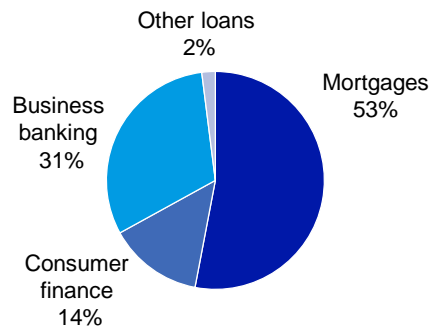
Overview

- Core DB Polska is a carve-out from DB Polska excluding FX mortgages and Corporate and Investment Banking Division
- Offers retail banking, business banking and private banking businesses through a network of 113 branches and 1,452 FTEs
- Focus on affluent, private and SME clients complementary to BZ WBK's franchise
- Solid financial metrics:
 - Gross customer loans, customer deposits and AuMs increased at a CAGR of 10%, 5% and 19% respectively during 2014-H1'17
 - Best in class asset quality with NPL and NPL coverage ratios of 2.7% and 76%** respectively as of December 2016
 - Strong capitalization at 13.875% CET1 ratio

Key financials of Core DB Polska

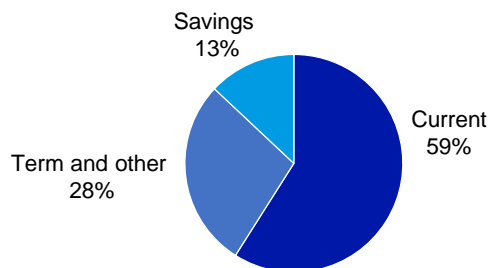
PLNm	FY2016	H1'17
Gross customer loans*	17,419	18,244
Net customer loans*	16,994	17,815
Total assets	17,594	18,401
Customer deposits	9,491	10,406
Parent funding	6,047	5,766
Shareholders' equity	1,875	2,044
Net interest income	407	196
Net F&C income	281	153
Net revenues	688	349
OPEX ex. regulatory charges	(340)	(175)
Regulatory charges***	(97)	(54)
Loan loss provisions	(92)	(46)
Income tax	(43)	(23)
Net income	116	51
AuM	5,964	6,899
Cost / income****	49.4%	50.2%
Cost of risk*****	0.53%	0.50%
ROE	6.5%	5.2%
CET1 ratio	13.875%	13.875%

Gross customer loans (FY2016)



Gross loans: PLN 17.4bn

Customer deposits (FY2016)



Client deposits: PLN 9.5bn

Source: Deutsche Bank Polska

* Excludes EIR adjustment and accrued interest

** 115% including collateral and insurance

*** Including bank levy, resolution levy, DGS levy and other recurring regulatory charges; H1'17 resolution levy includes 50% of annual fee paid

**** Excluding regulatory charges

***** Over end of period gross loans

Multi-channel distribution network with a nationwide presence in 72 cities in Poland

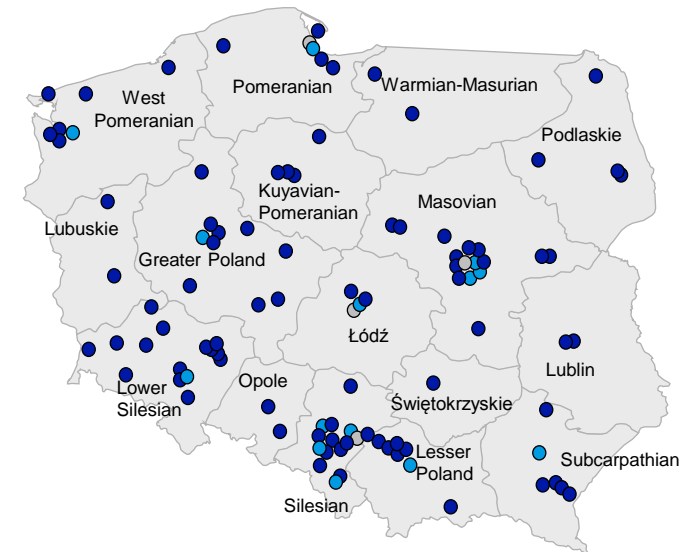
Overview of Core DB Polska distribution network (FY2016)

Bricks and mortar	External network	Other channels
113* branches 80% of leases shorter than 5 years	265 exclusive agents	81% clients with online access
4 Private Banking centres	228 mobile sales advisers	1m calls received through call centre
13 Business Banking centres	1,559 intermediaries	50k transactions completed through e-Commerce websites
86 ATMs		

BZ WBK will benefit from access to Core DB Polska's specialized mortgage origination agents

Source: Deutsche Bank Polska
 * Includes 3 owned branches

Branch network focused on the most affluent regions of Poland

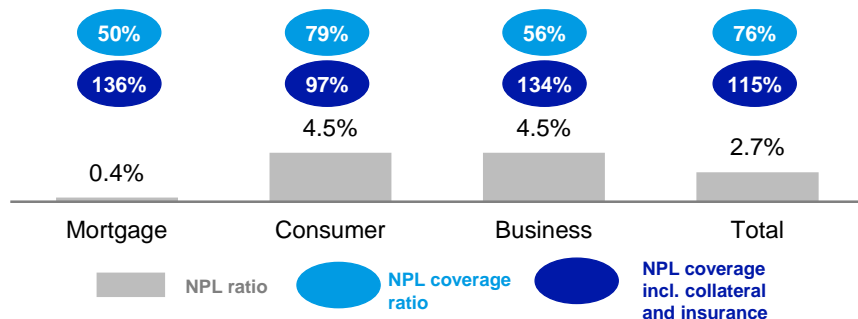


- Retail branches
- Private banking centres
- Business banking centres

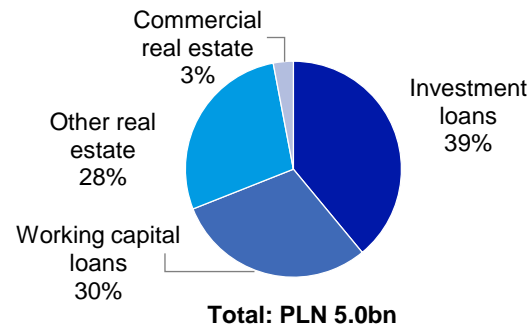
Significant overlap with BZ WBK's existing network

Best in class asset quality metrics coupled with diversified and high quality loan portfolio

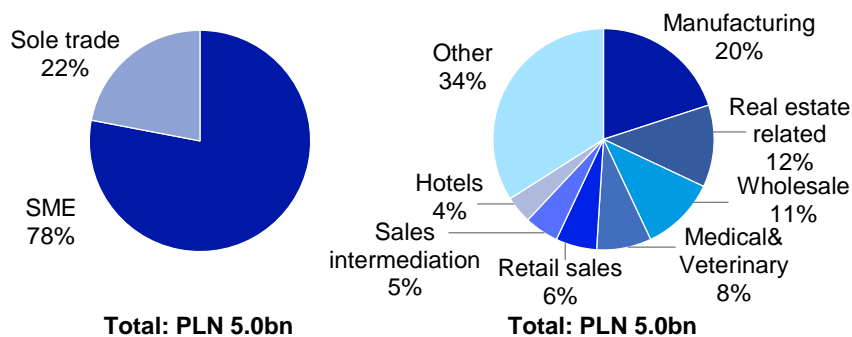
Asset quality by segment (FY2016)



Gross business loans by type (FY2016)



Split of business loans by type of client and industry (FY2016)



Comments

- No FX mortgages in the transaction perimeter
- Average mortgage LTV of 76% as of December 2016
 - 79% of mortgages with LTV < 90%
 - 95% of mortgage with LTV < 100%
- Predominantly high income mortgage clients, 71% rated BBB+ or higher as of December 2016
- Weighted average debt / income of consumer finance loans as of December 2016: 61%
- Top 20 business clients contribute to only 6% of total business credit balances as of December 2016

Source: Deutsche Bank Polska

Strategic rationale

1 BZ WBK increases its size and strengthens its position in the Polish banking sector, increasing its loan market share from 10.1% to 11.7% (from PLN 111bn to PLN 130bn)*

2 Attractive client base and highly complementary business franchise:

2.A Transaction allows BZ WBK to significantly improve its position in the growing private banking and affluent segments with 91k clients and PLN 16.7bn business volume**

2.B BZ WBK to strengthen its position in the mass segment with 234k clients and PLN 6.6bn business volume**

2.C In addition, BZ WBK to strengthen the SME segment with 39k clients and PLN 9.4bn business volume**

3 Transaction will reduce BZ WBK's FX mortgage loans relative weighting (Core DB Polska has no FX mortgages) from 12.5% to 10.7%*

■ Expected further dilution of FX mortgage loans in total loan portfolio at the end of 2018

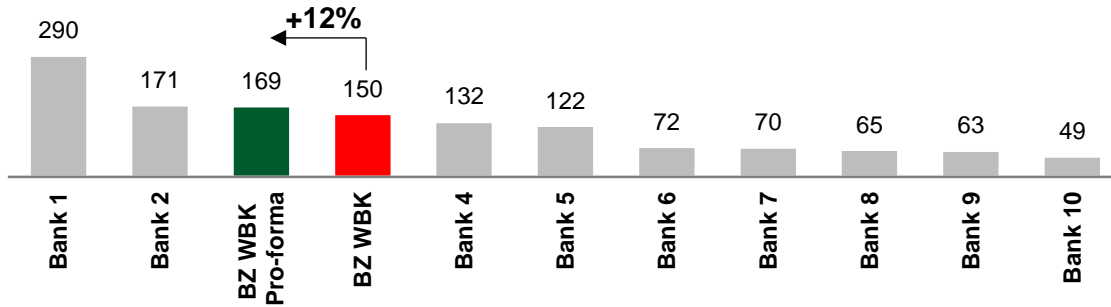
Source: BZ WBK, Deutsche Bank Polska, NBP, KNF

* Figures for BZ WBK as of September 2017 and Core DB Polska figures as of June 2017

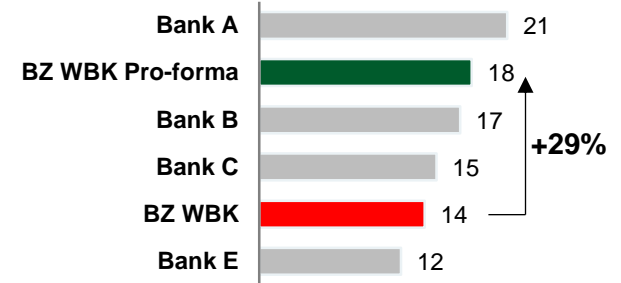
** Figures as of December 2016. Business volume includes gross customer loans, customer deposits and AUM

Transaction would allow BZ WBK to consolidate its position in the Polish banking sector

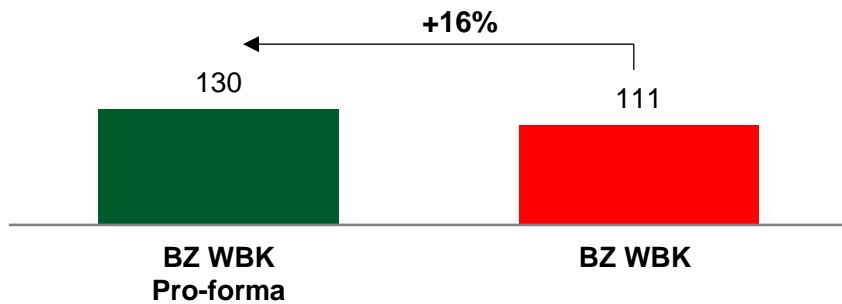
Ranking of Polish banks by total assets (PLNbn)*



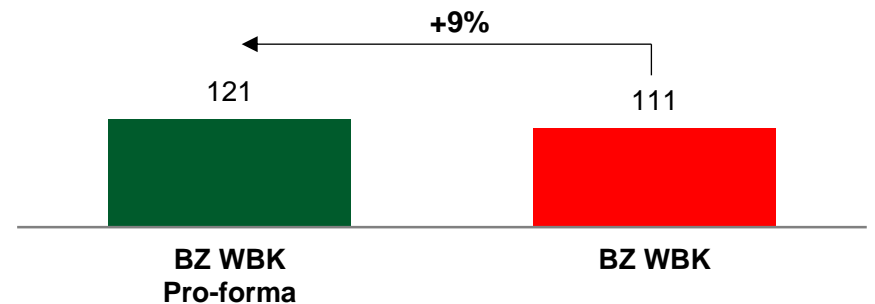
Ranking of Polish banks by # of Private Banking centres**



Customer loans (PLNbn)*



Customer deposits (PLNbn)*



- Acquisition of Core DB Polska will substantially increase BZ WBK's September 2017 market shares:
 - Loans: from 10.1% to 11.7%*
 - Deposits: from 10.1% to 11.0%*

Source: BZ WBK, Deutsche Bank Polska, financial reports and websites of Polish banks

* Figures for Core DB Polska as of June 2017, figures for BZ WBK and other Polish banks as of September 2017

** Based on company websites dated December 11, 2017

2 Attractive client base and highly complementary business franchise

Key business volume by client type

		Private	Affluent	Mass	Business clients
Client business volume (PLN bn)*	Gross loans	1.0	5.4	5.4	5.6
	Customer deposits	2.7	2.5	0.9	3.3
	AuM	3.9	1.2	0.3	0.5
	Clients	<ul style="list-style-type: none"> ~11k clients 	<ul style="list-style-type: none"> ~80k clients 	<ul style="list-style-type: none"> ~234k clients 	<ul style="list-style-type: none"> ~39k clients

- **Wealth accumulation in Poland** will push for **Private/Affluent Banking development in the Country**
- Acquisition of Core DB Polska brings substantial expertise BZ WBK can leverage to build a **strong Private Banking franchise**
- Leverage Core DB Polska's **open architecture model** to offer products to select BZ WBK's private banking clients

- **Affluent segment is a good complement for BZ WBK VIP model.** Build a larger pool of affluent customers
- Affluent clients with **potential to become private banking** customers

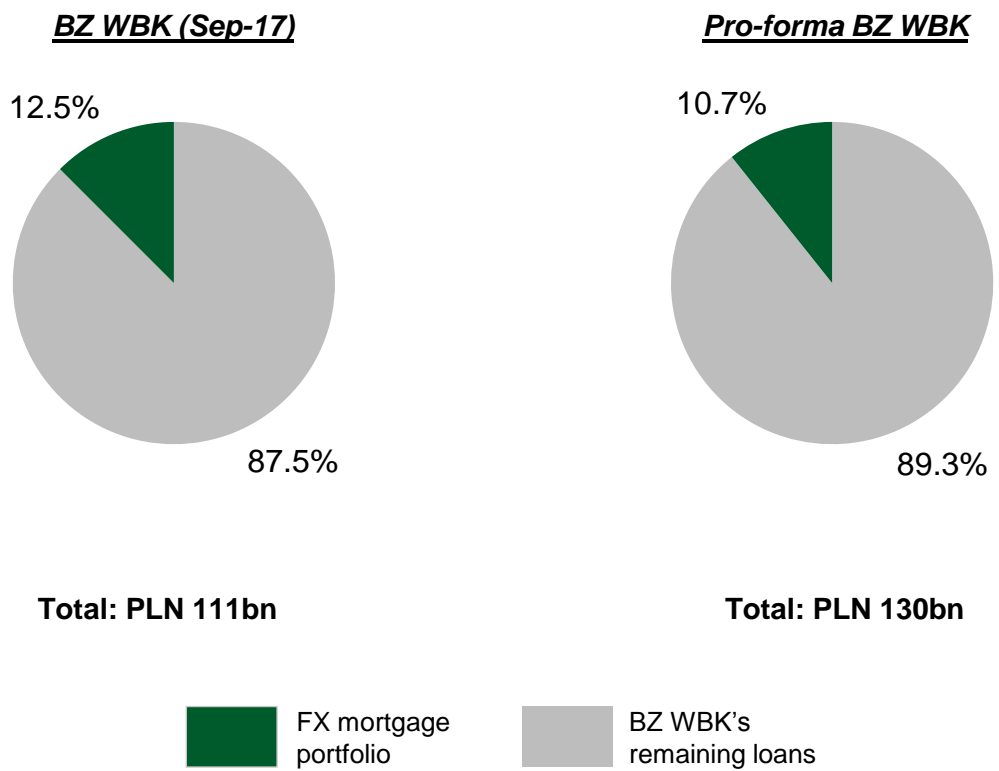
- Mass to be integrated into BZ WBK model → **processes can be "industrialised"**
- Lower penetration than BZ WBK's mass clients (**opportunity for cross-selling**)

- Good fit with BZ WBK's existing franchise
- Customers are/can become **Private / Affluent Banking customers as well** creating a "virtuous circle"
- Professionals that own business / SMEs. Doctors, lawyers (private practice)

Source: BZ WBK, Deutsche Bank Polska
 * Figures as of December 2016

3 Transaction will dilute BZ WBK's mortgage loan portfolio denominated in FX

FX mortgage portfolio dilution*



■ Expected further dilution of FX mortgage loans in total loan portfolio at the end of 2018

Source: BZ WBK, KNF

* Figures for BZ WBK as of September 2017 and Core DB Polska figures as of June 2017

Financial impacts

A Significant efficiencies by sharing best practices with fully phased synergies pre-tax of PLN 129m achieved in 2021 despite absorbing a very streamlined cost base from Core DB Polska

B.1 EPS accretive transaction from 2019 (2018 excluding integration costs)

B.2 Attractive ROI of 15.5%*, above BZ WBK cost of capital, by 2021

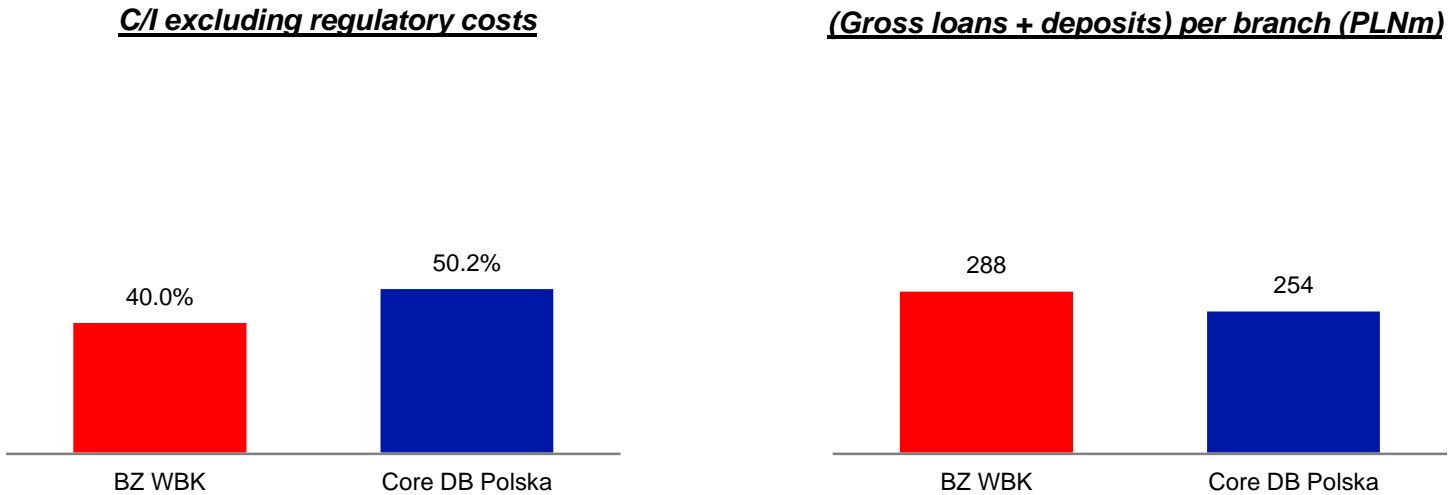
C Limited capital impact of 65bps on BZ WBK's CET1 ratio (15.3% pro-forma CET1 ratio as of September 2017)

Source: BZ WBK

* Excluding integration costs

A Significant synergy potential

Efficiency and productivity metrics (H1'17)



Substantial headroom to generate efficiencies by sharing best practices and streamlining Core DB Polska's & BZ WBK's operations to the best-class

Source: BZ WBK, Deutsche Bank Polska

A Significant synergy potential (cont'd)

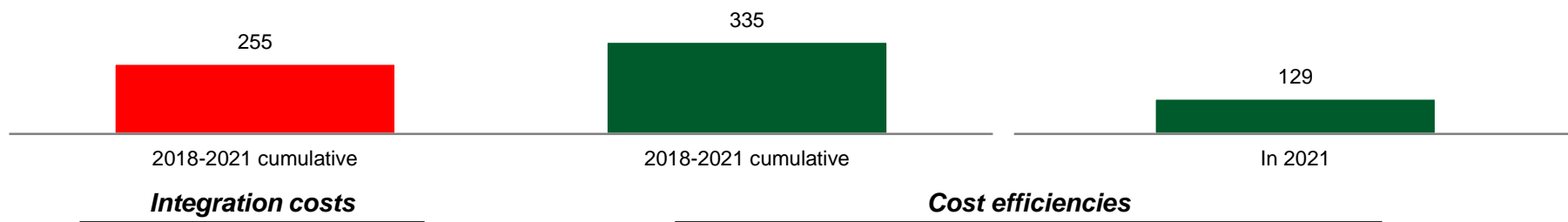
Cost efficiencies and integration costs

- Potential to improve operating efficiency by leveraging BZ WBK's capabilities and best practices as well as benefits of scale
- Fully phased-in cost efficiencies represent 3.8% of the combined 2016 cost base*, substantially more conservative than cost efficiencies of 13.6%** of combined cost base announced in precedent M&A transactions in Poland
- Total pre-tax cost synergies of c. PLN 335m spread over 2018 - 2021
- Total pre-tax restructuring costs of c. PLN 255m spread over 2018 - 2021
- BZ WBK would have pro-forma cost to income ratio of 45.4%* assuming fully phased cost efficiencies

Revenue and funding synergies

- Potential additional upside from revenue and funding synergies not reflected in the current analysis
- Key sources of revenue and funding synergies include:
 - Cross selling due to application of best practices in the combined entity
 - Significant strengthening of BZ WBK's private banking business including knowledge transfer
 - Efficiency improvements in the combined distribution network
 - Convergence of Core DB Polska's cost of funding towards BZ WBK's levels

Cost efficiencies and integration costs (pre-tax, PLNm)



BZ WBK's proven integration track record would lead to high probability of realization of efficiencies

Source: BZ WBK, Deutsche Bank Polska, financial reports and presentations of Polish banks

* Based on 2016 figures excluding one offs, including regulatory costs apart from bank levy

** Based on the average of the % of cost efficiencies over combined cost base announced in BZ WBK / Kredyt Bank, BNP / BGŻ, PKO BP / Nordea, Raiffeisen / Polbank, Alior Bank / Meritum and Alior Bank / Core BPH deals (including announced revisions of estimates)

B EPS accretive transaction from 2019 onwards

PLNm	2018E	2019E	2020E	2021E
Accretion / (dilution) (%) (excl. integration costs)*	+2.1%	+3.9%	+4.1%	+4.6%
Accretion / (dilution) (%)**	(0.9%)	+0.7%	+3.4%	+4.2%
ROI (excl. integration costs)***	7.7%	12.0%	13.6%	15.5%
ROI****	2.9%	6.2%	12.2%	14.7%

Acquisition is EPS accretive from 2019 onwards (2018 onwards excluding integration costs)

5% EPS accretion in 2021 excluding integration costs

Source: BZ WBK, Deutsche Bank Polska, Bloomberg

Note: The information outlined above being the financial data should not be construed as financial projections or forecasts. These data have been derived from publicly available sources (including Bloomberg, where noted) or prepared by research analysts based on publicly available sources. These data may not prove to be accurate and may differ from actual future results.

* (BZWBK net income (Bloomberg consensus) + Core DB Polska and DB Securities net income + cost synergies post-tax) divided by (current number of BZ WBK's shares + pro-forma issuance of 2.75m of new BZ WBK shares)

** (BZWBK net income (Bloomberg consensus) + Core DB Polska and DB Securities net income + cost synergies post-tax – integration costs post-tax) divided by (current number of BZ WBK's shares + pro-forma issuance of 2.75m of new BZ WBK shares)

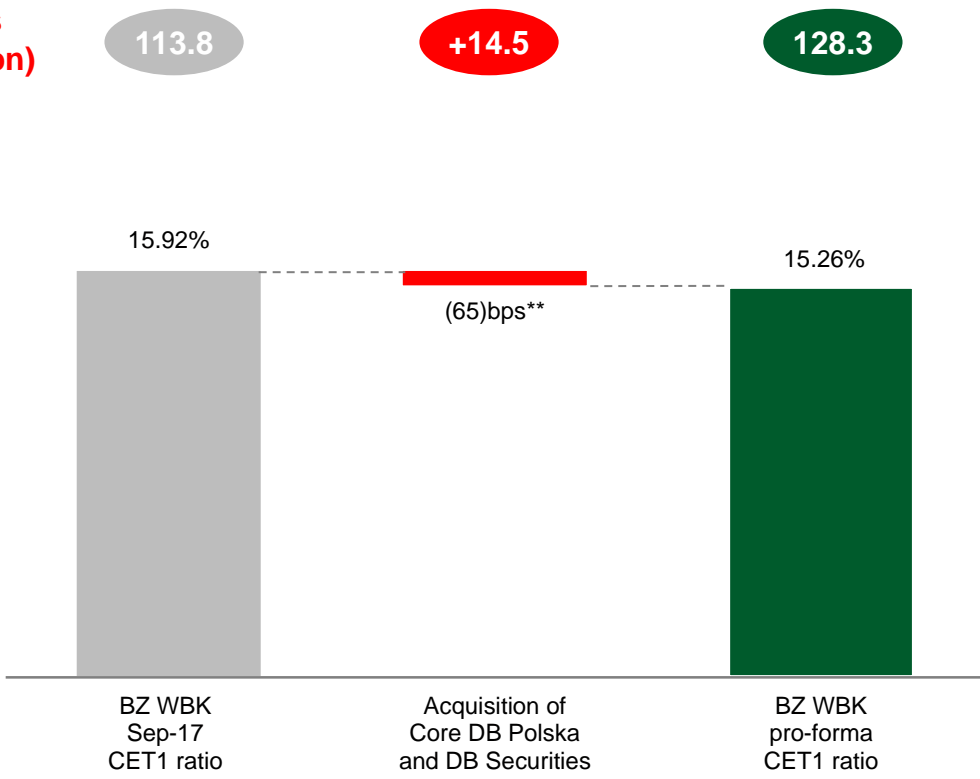
*** (Core DB Polska and DB Securities net income + cost synergies post-tax) divided by total consideration of PLN 1,290m increased by current estimate of NAV adjustments

**** (Core DB Polska and DB Securities net income + cost synergies post-tax – integration costs post-tax) divided by total consideration of PLN 1,290m increased by current estimate of NAV adjustments

Manageable capital impact of 65bps

Capital impact on BZ WBK

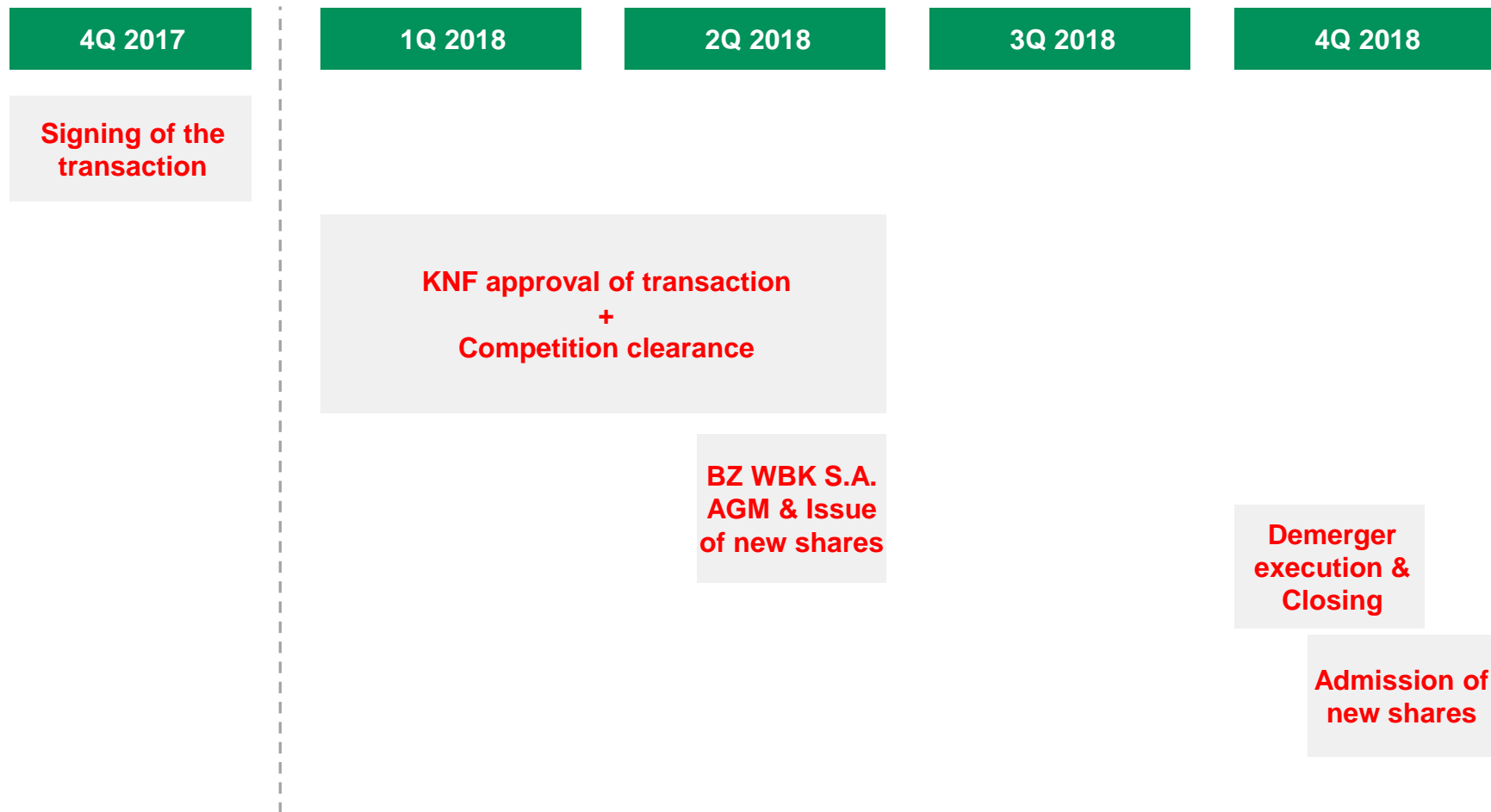
RWAs
(PLNbn)



- Limited capital impact of acquisition of Core DB Polska and DB Securities given attractive price and new shares issued to finance 80% of the total consideration
- Estimated RWA increase of PLN 14.5bn is the sum of PLN 14.4bn 2017E RWA of Core DB Polska and PLN 0.1bn RWA increase related to DB Securities*
- 2017E Core DB Polska CET1 capital based on 2017E RWA of PLN 14.4bn and 13.875% CET1 ratio agreed with DB AG

Source: BZ WBK
 * Applying a 250% risk weighting to DB Securities' equity
 ** Including current estimate of NAV adjustments

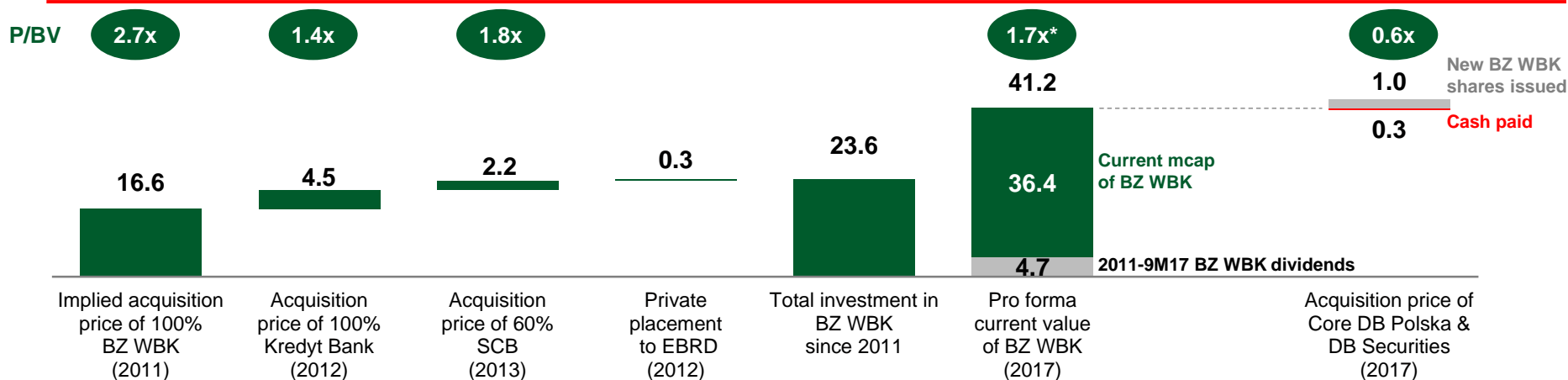
Timeline



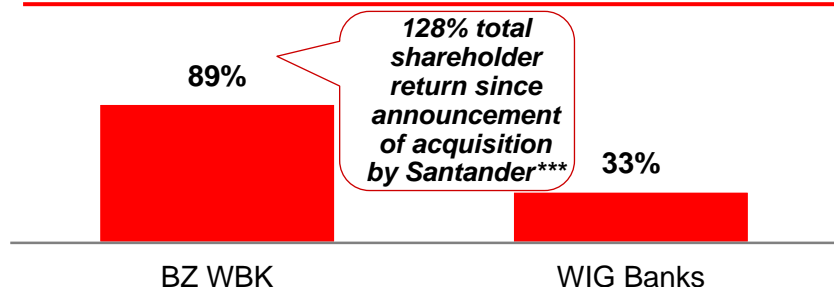
Source: BZ WBK

BZ WBK disciplined delivery on Santander Group strategy has resulted in large value creation since the acquisition by Santander in 2011

Total investment in BZ WBK since 2011 vs. current market value (PLN bn)



BZ WBK's share price outperformance**



- Consistent track record in delivering on acquisitions in Poland
- Almost doubling of investment reflected in BZ WBK's current market cap
- Strong share price outperformance vs. the rest of the sector

Source: BZ WBK, Deutsche Bank Polska, Bloomberg as of December 13, 2017

* September 2017 P/BV multiple as of December 13, 2017

** Vs. last share price before announcement of Santander's acquisition of BZ WBK (September 10, 2010)

*** Including dividends paid

Key takeaways

- ✓ BZ WBK increases its size and strengthens its position in the Polish banking sector, increasing combined loan market share to 11.7% from 10.1% currently
- ✓ Focus on Retail Business complementary to BZ WBK, gaining attractive and profitable clients while assuming limited underlying cost base
- ✓ Financially attractive transaction given considerable potential for cost synergies, EPS accretion, ROI above BZ WBK's cost of capital and low capital consumption
- ✓ Significant cost synergy potential with fully phased pre-tax synergies of c. PLN 129m (3.8% of the combined 2016 cost base*) by 2021
- ✓ Further potential upside from funding and revenue synergies including leveraging on Core DB Polska's expertise to build a strong Private Banking franchise in BZ WBK

Source: BZ WBK

* Based on 2016 figures excluding one offs, including regulatory costs apart from bank levy